

FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

# EXPLORING DEMAND

FOR FLORIDA ORCHIDS IN SINGAPORE





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## I. OVERVIEW

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With the ever expanding global marketplace, trade barriers are being lifted and new trade relations are developing. A new trade opportunity with Singapore opened as a result of the January 2004 U.S. – Singapore Trade Agreement. Considered the distribution hub of Malaysia, China and Indonesia, Singapore stands to be a very important entry point for Florida agriculture. Singaporeans are also known for their avid interest in orchids and ornamental flowers, making this a potentially lucrative market. Florida leads the nation in sales of potted foliage for indoor use and foliage hanging baskets with sales of \$459.7 million during 2002. Florida's orchid production has risen steadily, increasing from 3.2 million pots sold in 2001 to 6.5 pots sold in 2004.

In 2005, the Florida Department of Agriculture and Consumer Services' (FDACS) Division of Marketing and Development applied for and received a grant from the United States Department of Agriculture Federal Marketing Improvement Program (FSMIP) to explore the demand for Florida orchids and other floriculture in Singapore. Along with the marketing research firm, Kerr and Downs Research, representatives from FDACS met with producers, retailers, importers and exporters in Singapore for the purpose of discovering the feasibility of Florida orchid producers exporting their product to this region.

## II. EXPLORING DEMAND FOR FLORIDA ORCHIDS IN SINGAPORE ~ KERR AND DOWNS RESEARCH<sup>1</sup>

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The purpose of this study was to explore the market demand for Florida orchids in Singapore and other areas of Southeast Asia. More specifically, the objectives of the study were to:

- Increase understanding of the Singapore floriculture market
- Educate Florida producers about the Singapore market
- Develop marketing recommendations for assisting Florida growers

### Background

Several facts and assumptions led to selecting Singapore as the target for this study.

#### FACTS

- Singapore has a relatively high per capita income
- Singapore has a world-wide reputation for producing high quality orchids
- Singapore is a distribution hub for Southeast Asia

#### ASSUMPTIONS

- Scarcity of land limits orchid production capacity in Singapore
- High price of land limits orchid production in Singapore
- Singapore cannot meet the demand for orchids that its brokers, traders, growers, etc. have generated

These aforementioned facts and assumptions were supported by the research conducted in this study. The following critical discoveries relevant to exporting Florida-grown orchids to Singapore were made during the study.

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<sup>1</sup>Kerr and Downs Research wishes to thank Phyllis McCranie and Colleen Trent, both of the Bureau of Development and Information, Division of Marketing & Development of the Florida Department of Agriculture and Consumer Services, and Bernard Kong, Agriculture Trade Officer for the United States Department of Agriculture, not only for their assistance in establishing contacts with Singaporean businesses, but also for participating in all personal, in-depth interviews with businesses in Singapore's floral industry.

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- The Singapore government controls land usage and it has de-emphasized production of orchids by ending research funding.
- Most Singapore orchid production has migrated to Malaysia.
- Singapore businesses have established critical trading contacts in the floriculture industry with companies throughout Asia, Europe, Australia, and the United States.
- Singapore exports its highest quality orchids, and sells the rest domestically
- A significant percentage of “Singapore” orchids are imported from Malaysia, Thailand, and Taiwan.
- Many Singapore growers and brokers in the floriculture industry own floriculture businesses in Malaysia, China, etc.
- Orchids are not a “special” flower to Singapore consumers.
- There is some potential to position Florida-grown orchids as premium orchids (with higher prices) much as designer merchandise (such as Gucci purses, Armani clothes, etc.) is positioned. Upscale consumers in capitals throughout Asia have demonstrated the means and the desire for purchasing upscale merchandise over the past two decades.

### Critical Findings

1. There are opportunities for Florida orchid growers to partner with Singapore companies in fulfilling a market niche. It will be imperative that Florida growers identify Singapore business partners.
2. One promising business model is based on providing high quality, unique varieties of cut orchids that are not marketed on price. It will be very difficult for Florida growers to meet prices of Malaysian and Thailand orchids that are exported through Singapore.
3. Florida growers will need to offer durable cut orchids with shelf lives of 7 to 9 days since 2 days are lost in shipping to Singapore.
4. Another promising business model is to export unique, high quality potted orchids. Again, it will be difficult for Florida growers to compete on price. With the world economy and economies in many Southeast Asia countries expanding, there is an opportunity for Florida growers to be players (in partnership with Singapore businesses) in high-end Southeast Asian markets.

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<sup>2</sup>“Discoveries” as well as other findings in this report are based on personal, in-depth interviews with professionals in the floriculture industry in Singapore and on a focus group with women from upscale households. A list of the floriculture professionals and their companies is contained in the Appendix.

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5. There is definite interest among Singapore orchid growers in exploring partnership opportunities with Florida growers, and there is definite interest in a reverse trade mission.
6. The “Dean” of Singapore’s orchid industry believes Florida growers would have more profit potential by selling orchids in the United States rather than exporting to or through Singapore.
7. Shipping time, freight costs, and labor costs are three critical disadvantages facing Florida growers interested in exporting to Singapore.
8. Another potential business model for Florida growers is to provide extra supply to Singapore growers and brokers during high demand periods such as the Chinese New Year, end of the year, etc.

### **Recommendations**

Florida growers should pursue a 2-pronged strategy with respect to expanding sales of Florida-grown orchids:

1. Focus on expanding the United States domestic market for orchids. This will require educating US consumers about the mystique and allure that orchids generate in Asia.
2. Work with the United States Department of Agriculture and the Florida Department of Agriculture and Consumer Services to arrange a reverse trade mission with Singapore growers and brokers. This mission will help Florida growers establish critical contacts with future business partners and to discuss, in-depth, which orchid varieties from the United States would have the most potential for Asian markets.

## Detailed Findings

"Facts," "Assumptions," "Discoveries," and "Critical Findings" will be explored in more detail in this section of the report.

### SINGAPORE HAS A RELATIVELY HIGH PER CAPITA INCOME.

Singapore's per capita gross domestic product is equal to that of leading nations of Western Europe (estimated 2005 individual purchasing power parity of \$25,000US).

### SINGAPORE HAS A WORLD-WIDE REPUTATION FOR PRODUCING HIGH QUALITY ORCHIDS.

Singapore is a paradise for orchid lovers from around the world. Upon landing at Changi Airport, visitors are exposed to a bewildering array of exotic orchids picturesquely displayed with a photo gallery devoted exclusively to orchid hybrids. The national flower of Singapore is Vanda Miss Joaquim. Main tourist attractions featuring orchids are Singapore Orchid Gardens, Mandai Orchid Gardens, and Sentosa Orchid Gardens. Singapore also is the home of the Orchid Society of Southeast Asia.

### SINGAPORE IS A DISTRIBUTION HUB FOR SOUTHEAST ASIA.

Singapore is a key international trading link. Its port is the world's busiest in terms of tonnage handled. Eight airfreight terminals developed and operated by two ground handling agents handle 1,611,407 tons of airfreight annually with a capacity of 2.5 million tons of cargo. On average, Singapore attracts some 140,000 vessel calls annually. Changi Airport is served by more than 70 airlines flying to more than 160 cities in 53 countries, and handles over 1,500 flights per week.

### SCARCITY OF LAND LIMITS ORCHID PRODUCTION CAPACITY IN SINGAPORE.

Most orchid farms in Singapore have fewer than 20 acres, plus many farms have discontinued producing orchids and other flowers over the past 20 years. Only 6% of Singapore's 692 square kilometers of land is devoted to agriculture. The largest farm in Singapore (Orchidville) has 100 acres. Orchidville produces 12,000,000 stems of orchids per year – 60% for domestic consumption and 40% for export to Australia and Japan.

The Singapore government controls land use and has systematically reduced land for agriculture over the past 30 years because of the need for housing and commerce.



A SIGNIFICANT PERCENTAGE OF "SINGAPORE" ORCHIDS ARE IMPORTED FROM MALAYSIA, THAILAND, AND TAIWAN. SINGAPORE CANNOT MEET THE DEMAND FOR ORCHIDS THAT ITS BROKERS, TRADERS, GROWERS, ETC. HAVE GENERATED.

A significant percentage of floral products, including orchids that are exported from Singapore, are grown in other countries. For example, Katong Flower Shop receives 2 to 3 shipments of orchids each week from Malaysia and Thailand. G.G. Fresh Flower receives 8,000 orchid stems each week from Malaysia. Candy Greenhouse & Flowers receives 2,000 stems of orchids from Malaysia on a typical day and as many as 10,000 on a very busy day. Far East Flora imports 10,000 to 20,000 stems of orchids a day from Malaysia.

THE SINGAPORE GOVERNMENT CONTROLS LAND USAGE AND IT HAS DE-EMPHASIZED PRODUCTION OF ORCHIDS BY ENDING RESEARCH FUNDING.

David Lim, General Manager of Mandai Orchid Gardens which has an extensive history of orchid research, indicated that the Singapore government has discontinued funding for orchid research as a clear sign that the government will no longer encourage orchid production in Singapore.

MOST SINGAPORE ORCHID PRODUCTION HAS MIGRATED TO MALAYSIA WITH SOME MIGRATING TO CHINA, THAILAND, AND OTHER SOUTHEAST ASIAN COUNTRIES.

While nearly all Southeast Asian countries have inexpensive land and labor, not all possess other characteristics necessary for successful partnerships with Singapore businesses. Favorable logistics (location and infrastructure), stable governments and business environments, entrepreneurial spirit and business ethics are some of the characteristics that Singapore businesses value in business partners.

A significant percentage of Singapore's orchid production has migrated to nearby Johore township in Malaysia. Many of Singapore's floral growers and brokers either own land for growing floral products in Malaysia, or have relatives or close friends who grow flowers and plants in Malaysia.

SINGAPORE BUSINESSES HAVE ESTABLISHED CRITICAL TRADING CONTACTS IN THE FLORICULTURE INDUSTRY WITH COMPANIES THROUGHOUT ASIA, EUROPE, AUSTRALIA, AND THE UNITED STATES.

Business owners in Singapore's floral industry have long recognized that their survival is dependent on providing value added products and on developing trading contacts rather than on their floral production. Across the floral industry (growers, brokers, retailers), Singapore floral businesses have established trading contacts throughout Asia, and many have established trading contacts in Australia, the United States, and Europe.

Relatively small businesses have established an impressive array of global trading partners. For example, G.G. Fresh Flower imports or exports with Malaysia, Thailand, China, Holland, and Australia. Noel Gifts imports flowers from China, India, Holland, and Malaysia. Far East Flora trades with companies in Russia, Saudi Arabia, Brunei, Israel, Columbia, Vietnam, Thailand, Malaysia, China and the United States. Many floral companies in Singapore import ferns, salal leaves, and Christmas trees from the United States. Singapore floral companies are, for the most part, open to exploring trading opportunities with companies from around the world.

SINGAPORE EXPORTS A SIGNIFICANT PERCENTAGE OF ITS HIGHEST QUALITY ORCHIDS AND SELLS THE REST DOMESTICALLY.

Limited production capabilities, commonness of orchids in Singapore, and the ability to price orchids higher to foreign markets result in the highest quality Singapore (and even imported) orchids being exported. Too Peng San, also known as "Mr. Toh," the "Dean" of the Singapore orchid industry, states that the top 60% of Singapore's orchids are exported. Orchidville, the largest orchid farm in Singapore, sells 60% of its orchids locally to hotels, offices, florists, and for events such as the Chinese New Year, and exports the remainder. Far East Flora exports 25% of its floral products. Serene Lim of G.G. Fresh Flower states "Singapore exports its best orchids to Japan and other countries that are willing to pay a premium for the best orchids in the world."

**MANY SINGAPORE GROWERS AND BROKERS IN THE FLORICULTURE INDUSTRY OWN FLORICULTURE BUSINESSES IN MALASIA, CHINA, ETC.**

Most Singaporeans are of Chinese or Malaysian descent. It is typical for Singaporeans of Chinese and Malaysian descent to maintain relationships with family in China and Malaysia. Some of the floral businesses interviewed had business relationships with family in Malaysia or China resulting in some vertical or horizontal integration of the floral supply chain. For example, Far East Flora has an export station in China and production facilities in China. Orchidville was the only business that had facilities in the United States – they have a wholesale center in Los Angeles. They also sell cut flowers in San Francisco. Orchidville exports 30% to 40% of the 20,000,000 stems they produce annually to the United States, China, Australia, and Japan.

**ORCHIDS ARE NOT A "SPECIAL" FLOWER TO SINGAPORE CONSUMERS.**

Orchids are the showcase flower for Singapore to present to the rest of the world, but orchids are too common to be special to local residents. As Bernadette Kwan of Noel Gifts states, "Orchids are not Singapore's favorite flower. It is too common." Consumers in the focus group were more likely to mention roses, tulips, chrysanthemums, and Tiger Lilies rather than orchids as flowers they purchased for themselves or other residents.

The orchid is a favorite flower to present to foreign guests. The orchid display at Changi Airport and tourist attractions such as the Mandai Orchid Garden are examples of how Singapore presents its world-class orchids to the rest of the world. Focus group participants mentioned "giving orchids to my overseas friends, especially Japanese." Another focus group participant added, "To Europeans, orchids are every exotic, but to us it is just very common. You feel that it is too common, that is why you don't actually buy it." A third consumer added, "...our national flower (orchid)...we see it quite often. If you are Singaporean, you won't find it as special as if I give you a tulip. Orchids...they are easily available and all over the place." Another focus group participant commented, "Like my pastor's wife from Finland.... you give her orchids....by the time she reaches her hometown, it is still very fresh. She is really happy and show it to her friends (in Finland) and they (visitors) are very happy to receive them (orchids) as farewell gifts."

THERE IS SOME POTENTIAL TO POSITION FLORIDA-GROWN ORCHIDS AS PREMIUM ORCHIDS (WITH HIGHER PRICES) MUCH AS DESIGNER MERCHANDISE (SUCH AS GUCCI PURSES, ARMANI CLOTHES, ETC.) IS POSITIONED.

Results from the consumer focus group were mixed, yet Singapore's impressive list of upscale retail and designer stores along Orchard Road are evidence of Singapore residents' and visitors' propensity to value and purchase upscale merchandise. One consumer in the focus group sounded very analytical in response to a question about paying extra for designer names, "You also look at how often you are going to use it, and how long it is going to be used for (before paying a premium price)." One participant was dismissive of designer names, "I don't need the brand to enhance myself or my character." Yet other consumers voiced opinions that betrayed their willingness to pay extra for designer names.

- Yes (I would buy a designer product) if I like it very much, and I can afford it.
- If I want a Louis Vuitton and see a similar one (but not an original), I won't buy it (the fake). I would buy the branded one in the original shop.
- It depends on the product. I want a real good watch, and I don't mind investing \$5,000 on an Omega.
- People look at you and say that is branded. If I were to buy some thing that is not branded, they will say Oh that's not (a quality brand). So in a way, it (buying designer names) equates with status.
- If I want to buy a label made in Indonesia and one made in the United States, I would go for the one from the US because the quality would be better. I would go for that (US brand name).
- I would not pay more for an orchid just because it is from the United States, but I would pay more if it were a unique variety.
- I would pay 50% more for a unique variety from the United States.

Upscale consumers not only from Singapore but also from capitals throughout Asia have demonstrated the means and the desire for purchasing upscale merchandise over the past two decades.

THE SINGAPORE ORCHID MARKET IS CONTROLLED BY THE SINGAPORE FLORAL ASSOCIATION WHICH EFFECTIVELY CONTROLS IMPORTING OF ORCHIDS INTO SINGAPORE FOR DOMESTIC CONSUMPTION AS WELL AS RE-EXPORTING FOR FOREIGN CONSUMPTION.

Too Peng See, aka Mr. Toh, functions as the “Dean” of the Singapore orchid market. Mr. Toh and his brother grow orchids on over 20 acres of land in Singapore. Yet Toh’s power is based less on his acreage than on his floriculture experience and his involvement and leadership of the Singapore Floral Association (SFA). SFA seemingly is able to control importing of orchids into Singapore through contracts with growers in other countries. Companies that do not grow orchids cannot belong to SFA and are hence shut out of importing orchids through the normal set of Southeast Asian companies that export orchids to Singapore. Noel Gifts International, for example, cannot import orchids through the normal Southeast Asia sources used by SFA members.

The most likely partnerships for Florida orchid growers are with members of the Singapore Floral Association since they control a dominant percentage of orchids imported to Singapore. Florida orchid growers have limited opportunities to work directly with brokers within Singapore who are not part of SFA, yet the possibility exists. Working directly with a broker such as Noel Gifts would presumably prevent Florida growers from working with an SFA member in marketing orchids to Singapore and other Southeast Asia markets.

THERE ARE OPPORTUNITIES FOR FLORIDA ORCHID GROWERS TO PARTNER WITH SINGAPORE COMPANIES IN FULFILLING A MARKET NICHE. IT WILL BE IMPERATIVE THAT FLORIDA GROWERS IDENTIFY SINGAPORE BUSINESS PARTNERS.

Singapore companies have business contacts with suppliers and customers around the world, and have especially strong contacts within Southeast Asia. Some Singapore growers have established growing and warehousing operations in nearby Malaysia as well as in the United States. Partnering with Singapore businesses will give Florida orchid growers instant access to customers and instant credibility.

Florida orchid growers should be patient in developing partnerships with Singapore businesses. Singapore businesses believe in developing relationships and trust first, business deals later. Singapore business is characterized by an entrepreneurial spirit. Growers in Singapore have tried contractual relationships with companies around the world, not always with success. While Singapore growers worry about receiving payment from distant suppliers, they are equally worried about guaranteed supply once they make a commitment to a customer. Losing money through non payment and losing face through not being able to provide promised supply are equal concerns to Singapore floral businesses.

Many orchid growers in Singapore compete on a price basis. For example, G. G. Fresh Flower's Serene Lim, responsible for purchasing, maintains that her company's business model is predicated upon price competitiveness. She sees no opportunity for Florida orchid growers who could not match prices of orchids from Malaysia or Thailand. She added that it is cheaper to import orchids from Malaysia and Thailand and export them to Japan and other markets than to grow orchids in Singapore.

ONE PROMISING BUSINESS MODEL IS BASED ON PROVIDING HIGH QUALITY, UNIQUE VARIETIES OF CUT ORCHIDS THAT ARE NOT MARKETED ON PRICE. IT WILL BE VERY DIFFICULT FOR FLORIDA GROWERS TO MEET PRICES OF MALAYSIAN AND THAILAND ORCHIDS THAT ARE EXPORTED THROUGH SINGAPORE.

One option for Florida orchid growers is to work directly with Noel Gifts International, a catalogue and Internet retailer of gift baskets, food hampers, and floral products. Noel Gifts sells value added products where the focus is not only on food and floral products but also on a range of props such as baby strollers (to celebrate giving birth), tires, cosmetics, luggage, toys, etc. Noel Gifts' products are theme-oriented and value added. Their products cost upward of \$200 SGD.

Because they are not a floral grower and not a member of the Singapore Floral Association (SFA), Noel Gifts is restricted from buying directly from traditional orchid and floral suppliers that supply orchid growers in Singapore. Hence, there is an opportunity for floral suppliers in the United States to develop direct relationships with Noel Gifts. As explained more thoroughly previously in this report, supplying orchids directly to Noel Gifts would presumably eliminate options for partnerships with members of the SFA.

Traditional floral growers in Singapore were less receptive (than Noel Gifts) to the idea of Florida orchid growers providing unique, high quality orchids at premium prices, yet there was some support for this business model. For example, Katong Flower Shop maintained that Singapore residents were always seeking new and unique flowers and were willing to pay premium prices for these qualities. Mr. Toh claimed there was potential for marketing unique, high quality Florida orchids in Singapore, yet he cautioned that as an advisor he thought Florida orchid growers would have more success by focusing on the US domestic market.

Orchidville maintained that the Singapore orchid export market is driven by highest quality, value added packaging, advantageous logistics, and the high entrepreneurial spirit of Singapore businesses. This business model leaves little opportunity for Florida orchid growers. Linda Ong, Commerce Managing Director for Benelux Flowers and Food, an importer and re-exporter of fresh produce, once included flowers as a significant part of their business. Yet, they removed floral products from their product portfolio 20 years ago because:

- Floral buyers (retail florists) are small and can renege on payment without significant consequences
- Floral products are perishable and demand is too variable

Ong added that while they sell fresh produce to supermarkets, she perceives little demand for fresh-cut flowers in supermarkets or other retailers. She maintained that supermarkets do not perceive a significant demand for floral products and sub out their floral departments to mom and pop operations. Ong added that supermarkets do not have knowledgeable personnel to manage floral departments and to provide the necessary level of customer service and education. Benelux does buy ferns from Florida, but has no interest in buying orchids or other ornamental plants from Florida.

Potential distribution of high quality, unique Florida-grown orchids through supermarkets is limited by consumer reactions and unwillingness of supermarket retailers to take a significant financial risk to educate consumers to demand (or expect) high quality, unique orchid varieties in supermarkets. Cold Storage, a retail grocery company, has a fully segmented retail food distribution strategy in Singapore offering retail outlets at the highend, middle-end, and convenience-end of the grocery store market. Cold Storage franchises floor space to G. G. Fresh Flower to sell floral products in Cold Storage's high-end stores. Yet, floral products offered in these franchised areas are lower priced options. Winstone Chee, Merchandising Manager for Cold Storage, indicated his company has no intention of expanding or upgrading its floral areas, nor did it anticipate ending franchising arrangements and bringing floral areas within the direct management of Cold Storage employees. Chee claimed Cold Storage lacked knowledgeable employees to run floral departments within its stores.

FLORIDA GROWERS WILL NEED TO OFFER DURABLE CUT ORCHIDS WITH SHELF LIVES OF 7 TO 8 DAYS SINCE 2 DAYS ARE LOST IN SHIPPING TO SINGAPORE.

Shipment time is a significant disadvantage for Florida orchid growers. Air shipments from Florida take 2 days to reach Singapore, while air shipments from Holland require only one day given the shorter distance and 7 hour time lag. Timing is critical in at least two ways: 1) quick shipment times enable brokers, exporters, and growers in Singapore to respond to market demand more quickly, and 2) quick shipments increase shelf life for the flowers. Singapore buyers can contact growers in Malaysia in the morning and have shipments arrive by truck in the afternoon. Shipping time from Thailand to Singapore is 7 hours.

THERE IS DEFINITE INTEREST AMONG SINGAPORE ORCHID GROWERS IN EXPLORING PARTNERSHIP OPPORTUNITIES WITH FLORIDA GROWERS, AND THERE IS DEFINITE INTEREST IN A REVERSE TRADE MISSION.

Speaking in behalf of the orchid growers of Singapore, Mr. Toh expressed considerable interest in discussions with Florida orchid growers. But, as stated previously in this report, Mr. Toh believes that Florida orchid growers will have more success developing the market within the United States.



SHIPPING TIME, FREIGHT COSTS, AND LABOR COSTS ARE THREE CRITICAL DISADVANTAGES FACING FLORIDA GROWERS INTERESTED IN EXPORTING TO SINGAPORE.

As stated in another section of this report, air freight time from Florida to Singapore is 2 days vs. 1-day from Holland. Truck shipments from Malaysia reach Singapore in 4 hours. Land freight charges are 5% of air shipment charges. Much manual labor in Singapore is imported from Malaysia, Thailand, China and other Southeast Asian countries. Yet labor prices in these other countries are lower than in Singapore given different costs of living and per capita gross domestic products.

ANOTHER POTENTIAL BUSINESS MODEL FOR FLORIDA GROWERS IS TO PROVIDE EXTRA SUPPLY TO SINGAPORE GROWERS AND BROKERS DURING HIGH DEMAND PERIODS SUCH AS CHINESE NEW YEAR, END OF THE YEAR, ETC.

Singapore floral growers and florists have difficulty meeting overall demand and demand for unique floral products during holidays (e.g., Chinese New Year, the end of the year). As Royston Low, Executive Director of Katong Flower Shop, states, "there is great demand for flowers during holidays, especially the Chinese New Year. Local retailers and wholesalers and growers have trouble meeting demand during these periods, plus residents are always looking for new and unique flowers for these occasions."

Other spikes in market demand are initiated by the export market. Francis Chioh, Export Manager for Far East Orchid, explains that September to June is a period of high demand for floral products in the Middle-East. Customers in the Middle East demand 2,000 potted plants per week, yet Far East Orchid is not able to supply that quantity. The excess demand is purchased from Holland sources. This market condition opens an opportunity for a Florida grower to ship directly to the Middle East while contracting with Far East Orchid in Singapore.

### POTTED ORCHID PLANTS.

Because of the 2-day air freight time from the United States to Singapore and the limited shelf life of cut orchids, a few of the Singapore floral businesses felt there was some promise for Florida orchid growers to ship potted orchid plants to Singapore. With a life expectancy closer to 2 months, Florida orchid growers could overcome the transit time disadvantage they face vis-à-vis growers in Southeast Asia. Sharon Goh, Director of Candy Greenhouse and Flowers, indicated she would buy potted orchid plants from Florida growers if it were profitable. She said the company now pays \$9 to \$10 SGD for potted plants from their suppliers. Far East Flora, Meng Orchid Nursery, and Toh Orchids also indicated a willingness to explore buying potted orchid plants from Florida growers. They also paid \$9 to \$10 SGD per potted plant from their current sources. Mr. Toh doubted that shipping potted plants even by sea would result in Florida-produced potted orchid plants being price competitive with existing suppliers. Francis Chioh from Far East Flora noted that airfreight for potted plants would be about \$14 US per plant making this type of transport not economically feasible.

### PRICING OF SINGAPORE ORCHIDS.

As stated in the previous section, the going wholesale price for potted orchid plants in Singapore is \$9 to \$10 SGD. These potted plants sell for \$12 to \$15 SGD wholesale and \$20 to \$25 SGD retail. Floral businesses in Singapore gave no indication that there was much room for deviation from prices they pay for potted plants unless growers offer unique varieties. Potted orchid plants from Holland typically are priced at \$12 to \$13 SGD.

Pricing information for stems of cut orchids varied across businesses. Estimates of prices to growers importing orchid stems from Malaysia and Thailand were as low as \$.10 SGD per stem and as high as \$.70 SGD. Prices to consumer ranged from \$1 SGD to \$2 SGD per stem.

### LITTLE OPPORTUNITY APPEARS TO EXIST TO SELL HIGH QUALITY, UNIQUE FLORIDA-CROWN ORCHIDS IN MASS RETAIL OUTLETS.

Singapore has some of the most exclusive retail shops in the world. Designer names such as Gucci, Chanel, Armani, etc. are readily available along Orchard Road. Singapore has a well-deserved reputation as an upscale shopping destination. Yet, Singapore lacks large mass retailers such as Wal-Mart, K-Mart, Sears, and Target. While mass retailers in the United States and other countries have significant floral operations, this retail option for orchids does not exist within Singapore.

## THE "COLLECTOR MARKET" IS NOT SUFFICIENTLY LARGE TO SUPPORT FLORIDA ORCHID GROWERS.

The collector market is scattered geographically and it is very small compared to the "normal" market for orchids.

## UNITED STATES ~ SINGAPORE FREE TRADE AGREEMENT

One of the underlying motivations for this study is the US – Singapore Free Trade Agreement signed in January 2003. The purpose of the Agreement is to enhance trading between these two established traders – Singapore is the United States 12th largest trading partner. Annual two-way trade of goods and services between the United States and Singapore is nearly \$40 billion. This Agreement will be helpful to Florida orchid growers in that it provides for zero tariffs on all US goods, and it ensures that Singapore cannot increase its duties on any US product.

## ECONOMIC BACKGROUND ON SINGAPORE

Singapore was founded as a British trading colony in 1819. It joined the Malaysian Federation in 1963 but separated two years later and became independent. It subsequently has become one of the world's most prosperous countries with strong international trading links.

Singapore, a highly developed and successful free market economy, enjoys a remarkably open and corruption-free environment, stable prices, and a high per capita GDP equal to that of leading nations of Western Europe (2005 estimated individual purchasing power parity = \$25,000). The economy depends heavily on exports, particularly in electronics and manufacturing. The Singapore government continues efforts to establish Singapore as Southeast Asia's financial and high-tech hub.

Singapore's location and the entrepreneurial spirit of its people have resulted in Singapore being a key international trading link. Its port is the world's busiest in terms of tonnage handled with 1,611,407 tons per year. Changi Airport is served by more than 70 airlines flying to more than 160 cities in 53 countries, and handles over 1,500 flights per week. Eight airfreight terminals developed and operated by two ground handling agents have an annual capacity of 2.5 million tons of cargo. On average, Singapore attracts some 140,000 vessel calls annually.

Singapore's economy is services-oriented with 68% of the economy involved in services. Industry accounts for nearly 32% of the economy and agriculture accounts for a negligible percentage of the economy.

### III. EXPORT/IMPORT REGULATIONS

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There are two stops on the permitting process of exporting orchids from Florida. The first is the USDA's "Convention on International Trade in Endangered Species (CITES) permit". The second will be a phyto-sanitary permit issued through Division of Plant Industry (DPI). The "Convention on International Trade in Endangered Species (CITES) permit" required will depend on the type of orchid to be shipped. Orchids listed under CITES and/or the Endangered Species Act (ESA) that have been grown from seeds, cuttings, divisions, or other propagules under controlled conditions require CITES and/or ESA documents. Some may qualify for a CITES exemption certificate for artificially propagated plants, others may need an export permit or re-export certificate.

#### **Appendix I:**

Exempt parts, products, and derivatives of Appendix-I orchids are:

- (a) seeds, pollinia, or cut flowers of artificially propagated hybrids
- (b) artificially propagated seedling or tissue culture in vitro in solid or liquid media transported in sterile containers. Under the ESA, seeds of endangered orchids require permits to be imported or exported. Seeds of threatened orchids require permits if the seeds came from wild plants, but do not require permits if the seeds are from artificially propagated plants. A label stating that the seeds are of cultivated origin must accompany the shipment of such seeds.

#### **Appendix II:**

Exempt parts, products, and derivatives of Appendix-II orchids are:

- (a) seeds or pollinia
- (b) cut flowers of artificially propagated plants
- (c) fruit of *Vanilla* spp. if from artificially propagated plants
- (d) seedling or tissue culture in vitro in solid or liquid media transported in sterile containers
- (e) artificially propagated *Phalaenopsis* hybrids, which exhibit uniformity in size and stage of growth, cleanliness, intact root system, and absence of damage or injury when:
  - (i.) transported in individual containers of 100 or more plants each
  - (ii.) all plants within a container are of the same hybrid; and
  - (iii.) containers are accompanied by documentation clearly stating the number of plants and signed by the shipper.

Use the following address to access the CITES application form for artificially propagated plants: <http://forms.fws.gov/3-200-33.pdf>.

An ESA application form can be reached at:

<http://forms.fws.gov/3-200-36.pdf>.

The applicant will need to have the scientific or Latin names of all orchid varieties for which permits are sought.

For clarifications or questions about the CITES permitting process, 1-877-770-5990 is the contact line. A recorded menu of options is ready when the line is answered. To submit written questions use the following address:

**USDA, APHIS, PPQ**

**4700 River Road**

**Unit 136**

**Riverdale, MD 20737**

A caveat: The permitting process normally takes 10 to 15 working days, but may take longer.

At this time, the United States does not use phytosanitary certificates in lieu of CITES documents to export or re-export plants. However, phytosanitary certificates are accepted from other countries that are on file with the Secretariat and that meet CITES requirements. CITES allows countries to use phytosanitary certificates in lieu of CITES certificates for Appendix-II or -III artificially propagated plants and Appendix-I artificially propagated hybrids under specific circumstances. The document must include: (a) the scientific name of the species; (b) the type and quantity of the specimen; and (c) a stamp, seal, or other specific indication stating that the specimen is artificially propagated as defined by CITES. The Management Authority must inform the CITES Secretariat of its certificate, stamp, seal, etc.

The Phyto-Sanitary permit may be acquired through DPI by contacting Tyson Emery. He may be reached at 352-372-3505, extension 155. There are two CITES ports in Florida, Miami and Orlando.

For matters concerning CITES documents and general implementation in Singapore:

**Agri-Food and Veterinary Authority (AVA)**

**Ministry of National Development**

**5 Maxwell Road**

**#02-03/#03-00/#04-00**

**Tower Block MND Complex**

**SINGAPORE 069110**

**Telephone: +65 62 27 06 70**

**FAX: +65 62 27 64 03**

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